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Bramalea Consolidated Developments Limited Annual Report 1965

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BRAMALEA CONSOLIDATED DEVELOPMENTS LIMITED

Executive Offices: 20 King Street West
Toronto, Ontario

General Offices: 70 Bramalea Road
Bramalea, Ontario

OFFICERS

ALAN F. B. TAYLOR *President*

ARTHUR S. ARMSTRONG *Executive Vice-President*

JOHN W. BENNETT, F.C.A. *Vice-President Finance*

GEORGE W. FINLEY *Vice-President Industrial Division*

STANLEY A. PODKOWA, B.A. *Secretary*

RAYMOND M. COOLE, C.A. *Treasurer*

DIRECTORS

ARTHUR S. ARMSTRONG *Pine Grove, Ontario, Canada*

HAROLD C. DRAYTON *London, England*

ROSS DUNN, Q.C. *Toronto, Ontario, Canada*

HON. J. KEILLER MACKAY *Toronto, Ontario, Canada*

FRASER L. MARTENS *London, England*

EMERSON M. MILLER *Toronto, Ontario, Canada*

SIR BRIAN MOUNTAIN, BT. *London, England*

HARRY I. PRICE *Toronto, Ontario, Canada*

ALAN F. B. TAYLOR *Toronto, Ontario Canada*



*Colour Aerial Photograph of Bramalea
Canada's First Suburban City, 1965*



President's Annual Report to the Shareholders

The Officers and Directors of your Company believe that, because of the substantial growth of your Company, particularly during the last two years, our Annual Report should not only contain results of the past fiscal year, but should also review in some detail the various activities of the Company as they are today and the future activities now being planned. The various charts, etc. included in this report, are designed to show the diverse operations of your Company and the results derived therefrom.

It is difficult to describe in words or pictures the actual size and future of your Company, largely because it is difficult for most people to visualize 16 square miles of land, which is the area being developed by the Company in Bramalea itself and to appreciate just how valuable such an acreage can be, located so close to a city the size of Toronto, with a current population of close to 2,000,000.

The basic premise which we believe will result in the long term financial success of your Company, is our ability to take advantage of the residual value of the remaining acreage of approximately 5,300 acres of land your Company owns today, having developed and sold or leased approximately 950 acres to date. As we develop and populate each acre of land all the surrounding acreage increases in value. Undeveloped land within Metropolitan Toronto and adjacent thereto, is increasing in value at a tremendous rate and, in fact, land available for development is becoming extremely scarce in Southern Ontario.

In the Spring of 1965 an appraisal was made of the unused acreage in the Bramalea area. The appraisal was limited to land which had not been sold, had cost the Company approximately

\$8,600,000 and is included in the 1965 Financial Statement as an asset of approximately \$12,000,000 after accrual of taxes and financial carrying charges.

Eastern and Chartered Trust Company, which made the appraisal, has appraised these lands at a current market value of \$24,000,000. This increase in land value has not been reflected in your Company's financial statements.

Your Company's main project is the development of the satellite city of Bramalea with an ultimate population of 80,000/100,000 people; but, in order to realize the maximum profit from this development and as a safeguard against such development taking place too quickly and thus not realizing the full profit potential, Management set out to diversify the Company's real estate holdings. By the acquisition of revenue producing properties with first class leases, it has been possible to procure a firm income base to compensate for the inevitable swing in income from Bramalea itself.

The first acquisition in the plan for diversification was the Niagara Peninsula Shopping Centre. This was followed by the purchase of a substantial interest in Victoria Property & Investment Company (Canada) Limited which company owns two large apartment blocks in Toronto. Subsequently the Company purchased the Applewood Village Shopping Centre and two large apartment buildings in Metropolitan Toronto. Today your Company owns, or has an interest in, revenue producing properties of great promise and substantial value located in the Metropolitan Toronto area and the City of St. Catharines, Ontario. In the past year, to continue this diversification programme, your Company acquired a minority interest in the

Constellation Hotel located adjacent to Toronto International Airport and close to Bramalea.

On subsequent pages of this report is a resume of the Company's history and a complete description of its real estate holdings outside the Bramalea area.

It is my belief that your Company has now obtained the services of outstanding specialists in its various fields of endeavour and has been able to attract such a team only because of the Company's continued growth and exciting and challenging future.

Review of the Current Year's Activities:

The results of this year's operations show a substantial increase in both gross revenue and net income. Earnings per share have increased from 49¢ to 68¢. This increase, although gratifying, was, in some respects, disappointing to Management because of the profit which was not realized in the year under review, due to the delay in registration of our Phase IV operation. As originally planned, registration of Phase IV, which involves the building of 2,000 residential units and all necessary community services, would have been available in May, 1965. However, water and sewage problems under consideration on a Province-wide basis by the Government of Ontario caused a lengthy delay in registration of this Phase and such registration was not completed until late October, 1965. As a result no site development could begin until November and therefore, no houses could be built or sold out of Phase IV during the year under review. Site development began on 500 lots in November, 1965 and it is expected at least 500 homes in Phase IV will be built and sold before November 30, 1966.

As a result of the study carried out by the Provincial Government on the water and sewage problems of the province as a whole, a scheme has been announced whereby the Provincial Government will underwrite future capital costs for sewage disposal and water installations in certain areas, one such area being that in which Bramalea is located. Full details as to how the Provincial Government intends to implement this plan are not yet available and the long term impact upon the Bramalea area cannot be assessed until such details are provided by the Provincial Government. It is apparent, however, that your Company must only benefit in the future by being relieved of the capital costs of sewage and water works.

Sales of industrial sites have been very encouraging. In the last twelve months 70 acres have been sold to well known companies and, in many cases, construction of plants is either completed or is well underway. For full details of those companies which have purchased industrial sites in Bramalea, see Bramalea Industrial Parks section of this report.

A large acreage of the farm land in Bramalea will not be used for development for anywhere from 5 years to 20 years. This farm land has heretofore been leased to farmers for a nominal rent. In the last 18 months, Management has made an extensive investigation into the possibility of operating this unused land as one farm.

The results of the investigation have indicated the feasibility of such an operation and therefore the tenants' leases are being terminated. Because of the complexity of operating such a large farm experienced Management was obtained and a separate subsidiary company,

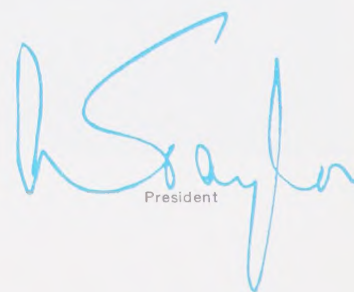
called Bramalea Farms Limited, was incorporated.

Other activities which are dealt with in more detail in this report include an apartment development in the Village of Swansea; a proposed apartment development in North York and the City Centre of Bramalea.

In this last year one of the major undertakings of your Company was the renovation and expansion of the Niagara Peninsula Shopping Centre. The cost of such renovation and expansion will be approximately 7.5 million dollars and your Company's equity in the completed centre will be in excess of 3.5 million dollars. Full details of this Shopping Centre will be found in the Bramalea Diversification of Investment section of this report.

In the annual report for the year ended November 30, 1964, reference was made to an action pending against the Company for damages in the amount of \$1,000,000. This action has been settled satisfactorily with no payment of damages or costs by your Company.

In conclusion, I wish to thank all the Officers, Directors and employees; each of whom has contributed to the continuing success of Bramalea Consolidated Developments Limited. The future has never been more promising and I fully expect that the 1966 operations of your Company will show the continuing growth of income that has been apparent during the last three years.



February, 1966

President

Bramalea **HISTORY**

A tract of land, in excess of 6,250 acres, called BRAMALEA, was assembled in the period 1956 to the present date.

The area is an almost contiguous acreage two miles north and two miles south of Provincial Highway #7 and running 4 miles along its length, i.e. 16 square miles. It is located northwest of the Metropolitan area of Toronto, 2½ miles north of Toronto International Airport and on a highway system which allows for transportation to downtown Toronto in 30 minutes.

Bramalea is conceived as a satellite city development along the lines of similar developments in the United Kingdom, Sweden, France and elsewhere. However, it differs from developments in those countries in as much as the total development is financed by private capital and with no government financing or assistance.

Bramalea Consolidated Developments Limited was formed in 1957 to develop the land and establish a planned, balanced industrial, commercial and residential

community. It is the basic concept in building such a community with private capital that not only will operating profit accrue as the project gains momentum, but the building of a fully serviced community will consistently and cumulatively increase the value of the peripheral land awaiting development.

In the early years the project ran into difficulty because of the fact that it was premature. In those years, Metropolitan Toronto was not developing to the Northwest with the rapidity that had been expected and there was an adequate inventory of developed and developable land in the Metropolitan Toronto area to satisfy the market. This is no longer true—Bramalea has established itself as a community which is attracting both residential and industrial interest because of its image and its location, and because comparable housing and industrial sites are becoming less and less available in the Metropolitan Toronto area.

Bramalea's potential, as a community and as a profit making enterprise, is



BRAMALEA '61



BRAMALEA '62

greatly enhanced because of its position in that arc running from Niagara through Hamilton and Toronto to Oshawa, being the most densely populated area in Canada and because such a large acreage is entirely controlled by one developer. Excellent relations exist between the Company and the Township of Chingua-cousy in which Bramalea is located—this relationship is based upon the premise that nothing will be done by Bramalea which will be to the detriment of the balance of the Township and that the Township will do nothing to the detriment of the Bramalea area. Bramalea Consolidated Developments Limited's agreement with the Township includes the provision that it will maintain a balance of 40% industrial assessment to 60% residential assessment—this has been achieved and has resulted in an extremely favourable and stable tax rate which will act as a further spur to growth.

Bramalea is essentially a long term project designed to gain the maximum realizable benefit from the increased, and

continually increasing, value of the residual land.

Of the 6,259 acres which has been owned by the Company, approximately 950 acres have either been sold or converted into revenue producing property locations, leaving a balance of approximately 5,300 acres.

An area of 4,800 acres has been covered by a Master Plan and development of this area is planned as follows:

Residential development.....	2,225 acres
Commercial.....	115 acres
Public and semi-public	
(includes schools,	
parks and churches).....	340 acres
Greenbelt.....	200 acres
Industrial.....	1,920 acres

As of November 30, 1965, the Development contained approximately 8,200 people in 1,950 homes, 74 town houses and 55 apartment suites; 4 schools containing 73 rooms, one high school of 68 rooms, a Medical/Dental centre, Nursery School, Shopping Centre of 41,700 square

feet, Olympic size swimming pool and 26 industries in 2,500,000 square feet of industrial plants. In the six years in which the Company has been operating in the Township, assessment has increased from four million dollars to twenty-four million dollars and the total value of the properties in the Bramalea development is currently estimated to be in excess of 125 million dollars.

It is envisaged that the suburban city of Bramalea will eventually contain 80,000/100,000 people and will consist of a balanced mixture of single family housing, town housing and apartments, their supporting schools, churches and recreational facilities, together with a major City Centre encompassing in excess of 100 acres, the land for which is already zoned and serviced, and several neighbourhood Shopping Centres. It is confidently anticipated that industrial construction will keep pace with the residential development to ensure the continuance of a properly balanced and well financed community.



BRAMALEA '63



BRAMALEA '64



BRAMALEA '65

Bramalea Management



ALAN F. B. TAYLOR

President and Chief Executive Officer of Bramalea Consolidated Developments Limited.

Mr. Taylor was born and educated in England. In 1951 he was appointed a Director and Commercial Manager of Close Brothers Limited, merchant bankers of London, England, a position he held until he assumed the Presidency of Bramalea Consolidated Developments Limited in 1962.



ARTHUR S. ARMSTRONG

Executive Vice-President of Bramalea Consolidated Developments Limited. Responsible for new business development and the operations of the Company and its subsidiaries.

Mr. Armstrong was born and educated in London, England and in 1948 he emigrated to Canada and was associated with an importing and distributing company until 1961. In the Fall of 1961 he joined Bramalea Consolidated Developments Limited as Secretary-Treasurer and was appointed Executive Vice-President in 1962.



JOHN W. BENNETT, F.C.A.

Vice-President Finance of Bramalea Consolidated Developments Limited and all its subsidiaries. Responsible for financial matters and the overall administration of the Companies. Mr. Bennett was born and educated in Toronto, Ontario and subsequent to receiving his C.A. degree in 1950 joined Deloitte, Plender, Haskins and Sells, Chartered Accountants. He became a Partner in 1957 and remained with Deloitte, Plender, Haskins and Sells until 1965. Mr. Bennett resigned his partnership in early 1965 to join Bramalea Consolidated Developments Limited as Comptroller. He was appointed Vice-President Finance in the fall of the same year.



GEORGE W. FINLEY

Vice-President, Industrial Sales Division of Bramalea Consolidated Developments Limited. Responsible for the sale or lease of industrial land in Bramalea and construction and leasing of industrial plants. Born and educated in Lindsay, Ontario, Mr. Finley was in the banking, savings and mortgage lending field from 1917 to 1937. During World War II, he was with Wartime Housing Limited, first as administrator of the Oshawa-Ajax projects and then as supervisor of a district including Central and Northern Ontario, Manitoba and Saskatchewan. From 1948 to 1956 he was with Central Mortgage and Housing Corporation supervising conversion of the Ajax munition plant area into an integrated municipality. In 1956 he moved to Trafalgar Township as Industrial Commissioner. In 1959 he joined Bramalea Consolidated Developments Limited as Manager, Industrial Developments and in 1963 was appointed Vice-President, Industrial Sales Division.



RAYMOND M. COOLE, C.A.

Treasurer of the Company and its subsidiaries. Responsible to the Vice-President Finance for the accounting operations of the Companies and Office Administration. Mr. Coole was born in Hamilton, Ontario. He attended Queen's University, Kingston, Ontario, and upon graduation joined Deloitte, Plender, Haskins and Sells, Chartered Accountants. He received his C.A. degree in 1961. Mr. Coole joined Bramalea Consolidated Developments Limited in 1960 and was appointed Treasurer of the Company in 1962.



STANLEY A. PODKOWA

Secretary of the Company and its subsidiaries, and Manager of its Legal Department. Responsible for legal matters affecting the Company, including the conveyance of real estate. A native of Toronto, Mr. Podkova was called to the Bar in 1960. After postgraduate studies at the University of Toronto, he joined Bramalea Consolidated Developments Limited in 1963 and was appointed Secretary in the same year.

Board of Directors

ARTHUR S. ARMSTRONG

Pine Grove, Ontario, Canada

Mr. Armstrong is also a Director of the following companies:

Braemar Apartments (St. Catharines) Limited
Renforth Developments Limited
Victoria Property & Investment Company (Canada) Limited

HAROLD C. DRAYTON

London, England

Mr. Drayton is also a Director of the following companies:

Anglo-Scottish Amalgamated Corpn. Ltd. (Chairman)
Anglo-Scottish Securities Ltd. (Chairman)
Antofagasta (Chili) & Bolivia Railway Co. Ltd. (Chairman)
Argus Press Holdings Ltd. (Chairman)
Ashanti Goldfields Corpn. Ltd.
Birmingham & District Investment Trust Ltd. (Chairman & Mgr.)
British Electric Traction Co. Ltd. (Chairman)
British Insulated Callender's Cables Ltd.
Cape and General Finance Ltd. (Chairman)
Colonial Securities Trust Co. Ltd. (Chairman)
Consolidated Goldfields Ltd.
Consolidated Trust Ltd. (Chairman)
Corporation of Foreign Bondholders (mem.)
Eagle Star Insurance Co. Ltd.
Electrical & Industrial Investment Co. Ltd. (Chairman & Mgr.)
English & International Trust Ltd. (Chairman)

European & General Corpn. Ltd. (Chairman)

Garda Trust Co. Ltd. (Chairman)
Government Stock & Other Securities Invest. Co. Ltd. (Chairman)
International Financial Socy. Ltd. (Chairman)
Midland Bank Ltd.
Midland Bank Executor & Trustee Co. Ltd.

Midland & International Banks Ltd.
Mitchell Cotts Group Ltd. (Chairman)
Omnium Investment Co. Ltd. (Chairman)
Philip Hill Investment Trust Ltd.
Premier Investment Co. Ltd. (Chairman)
Provincial Newspapers Ltd. (Chairman)
Second Consolidated Trust Ltd. (Chairman)
Second Premier Investment Trust Co. Ltd. (Chairman)
Securities Agency Ltd.
Standard Bank Ltd.
Tilmanstone Investment Trust Ltd. (Chairman)
United Newspapers Ltd. (Chairman)
Westminster Trust Ltd.

ROSS DUNN, Q.C. *Toronto, Ontario, Canada*

Mr. Dunn is also a Director of the following companies:

Butterworth & Co. (Canada) Limited (President)
Canadian Motorways Limited
Victoria Property & Investment Company (Canada) Limited

J. KEILLER MACKAY, D.S.O., V.D.,
Q.C., LL.D., D.C.L. *Toronto, Ont., Canada*

The Hon. J. Keiller Mackay is also
Chancellor, University of Windsor
Chairman, Province of Ontario Council
for the Arts
Governor, University of Toronto
Director, Eastern & Chartered Trust
Company

FRASER L. MARTENS *London,
England*

Mr. Martens is also a director of the
following companies:

Allied Land & Investment Co. Ltd.
Close Brothers Limited
Close Brothers (Canada) Ltd.

EMERSON M. MILLER *Toronto,
Ontario, Canada*

Mr. Miller is also:

Vice-Chairman, Toronto & York Roads
Commission
Director, Victoria Property &
Investment Company (Canada) Limited

SIR BRIAN MOUNTAIN, BT.
London, England

Sir Brian Mountain is also a director
of the following companies:

Air Holdings Ltd.
Ashdale Land & Property Co. Ltd.
(Chairman)
Bernard Sunley Investment Trust Ltd.
(Chairman)
British African Properties Ltd.
British Caribbean Insurance Co. Ltd.
(Chairman)
British Crown Assurance Corporation
Ltd. (Chairman)
British Northwestern Insurance Co.
(Chairman)

Covent Garden Properties Co. Ltd.
(Chairman)
Covent North American Properties Ltd.
(Chairman)
Eagle Star Insurance Co. Ltd.
(Chairman)
Economic Insurance Co. Ltd.
Kingsdown Stud Ltd.
Knutsford Park Ltd.
L'Independance Compagnie
D'Assurance Contre Tous Risques
Midland Assurance Ltd.
Philip Hill Investment Trust Ltd.
(Chairman)
Place Ville Marie Corporation
Premier Motor Policies Ltd. (Chairman)
Sceptre Trust Ltd. (President)
Second Covent Garden Property Co.
Ltd. (Chairman)
Security National Insurance Co.
(Chairman)
The Bank of Nova Scotia
The Bank of Nova Scotia Trust
Company (Bahamas) Ltd. (Deputy
Chairman)
The Bank of Nova Scotia Trust
Company of Jamaica Ltd. (Deputy
Chairman)
The Bank of Nova Scotia Trust
Company of the West Indies Ltd.
(Deputy Chairman)
The Bank of Nova Scotia Trust
Company (United Kingdom) Ltd.
The Barbados Fire Insurance Co.
(Chairman)
The New Providence Insurance Co. Ltd.
The Theatres Mutual Insurance Co.
Ltd. (Chairman)
The Threadneedle Insurance Co. Ltd.
(Chairman & Managing Director)
Threadneedle Properties (S.A.) Ltd.
Trent Insurance Company Limited
Triton Centres Ltd.

Triton Shopping Centres Limited
Trizec Corporation Limited
United Dominion Trust Ltd.
Western Star Insurance Co. Ltd.
Zambian Eagle Insurance Co. Ltd.

HARRY I. PRICE *Toronto, Ontario,
Canada*

Mr. Price is also a director of the
following companies:

Bridge & Tank Co.
Burns Foods Limited
Canadian National Exhibition
(Life Director)
Cygnus Corporation
Home Oil Co. Limited

ALAN F. B. TAYLOR *Toronto,
Ontario, Canada*

Mr. Taylor is also a director of the
following companies:

Braemar Apartments (St. Catharines)
Limited (President)
British Northwestern Insurance Co.
Pan-Jamaican Investment Trust Co. Ltd.
Security National Insurance Co.
Victoria Property & Investment
Company (Canada) Limited (President)

Bramalea 1965 in Review

Accomplishments and Plans

New strides were made by your Company during 1965 in all phases of its activities. Sales of house units for the year ending November 30, 1965 were 401 compared to 369 in 1964.

The sale of industrial acreage for the fiscal year increased to 70 acres as compared to 42 acres in 1964.

Details of our progress in residential and industrial construction and sales, and the installation of community services, are discussed in more detail under those headings elsewhere in this report.

Your Company intends to continue development of the balance of approximately 5,300 acres it owns in the Township of Chinguacousy. Included will be more industrial and commercial acreages (including a major regional shopping centre) and a wide range of houses suitable to current markets.

Your Company is currently building Phase IV of the Bramalea development. This encompasses more than 2,000 residential units. During the next three years, some 425 acres will be developed. On this land will be constructed some 730 single family dwellings, 784 semi detached houses, 100 row houses and 322 apartments. It is estimated that the eastward extension of Bramalea will double its present population of 8,200 by the end of 1968.

The most exciting and imaginative project in your Company's plans at the moment is the Bramalea City Centre.

Planning for the first phase of construction for the City Centre, to be located at the junction of Dixie Road and Highway #7, is well under way and should be finalized in the Spring of 1966. This plan visualizes five separate phases of develop-

ment timed to coincide with estimated population increases.

Leasing negotiations have already started and it is intended that the majority of all the buildings included in Phase I will be leased to suitable tenants before construction actually begins.

Management believes that, with rigid control of architectural design and adherence to the conceptual plan, the new City Centre should prove to be a functional centre of beauty and character around which will lie the future City of Bramalea. When the City Centre is completed it will include: approximately 1,200 apartment units; one million square feet of retail space; 240,000 square feet of medical-bank and general office accommodation; 100,000 square feet of motel-hotel space; 300,000 square feet of municipal, recreational and cultural facilities. There will also be parking for approximately 10,000 vehicles, pedestrian walks and squares and parkland.

Bramalea Consolidated Developments Limited

*Review of Subsidiary Companies'
Activities for 1965*

**BRAMALEA CONSTRUCTION
(PEEL) LIMITED**

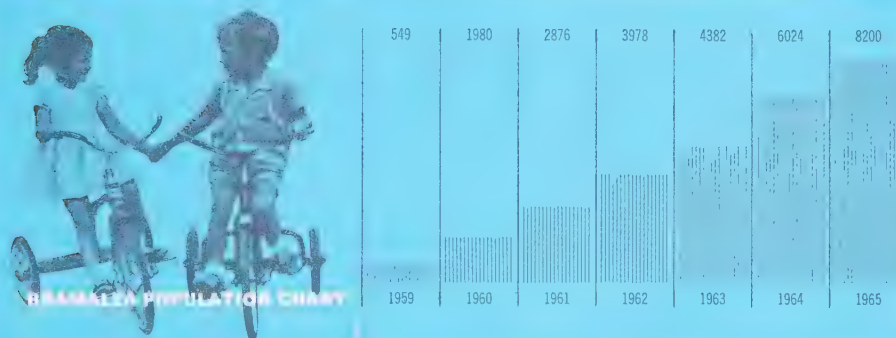
(Wholly Owned Subsidiary)

1965 showed a further increase in sales despite the fact that the Company, due to administrative delays, was without an inventory of serviced lots in the latter three months of the year. Lots for some

BRAMALEA CONSOLIDATED DEVELOPMENTS LIMITED / GROWTH AND PROFIT CHART

	1963	1964	1965	1966	1967	1968	1969
Total Income	9857,718	51,756,539	53,113,979	54,864,990	59,399,713	510,074,350	611,018
Net Income (Loss)	(628,010)	(834,123)	(445,252)	12,237	434,099	611,018	68
Earnings (Loss per share)	(2.07)	(1.43)	(1.49)	.01	.49	.68	

BRAMALEA POPULATION CHART



HOUSES UNDER CONSTRUCTION



1,500 single family housing units were released to the Company in October, 1965, which was, however, too late for servicing in that year.

By utilizing mass production and pre-fabrication techniques, the Company was able to produce houses throughout the period under review, notwithstanding adverse weather conditions, and was able to maintain a high level of production according to predetermined schedules. During the year ended November 30, 1965, the Company built 414 housing units, and sold and closed (i.e. the customer took possession) 401.

During the year Management was able to complete the installation of, and thoroughly test, a new cost accounting system which is proving to be an in-

valuable tool in maintaining efficient production at the lowest possible cost. In addition, a unique system of production control, designed to provide fast, up to date information to the Company's customers, was installed and has proven to be highly successful.

It is anticipated, that with a serviced lot inventory now available, the Company will be able to reach its full market potential in the 1966 fiscal year and to this end, a Winter Works programme of house construction is underway at the present time and production is scheduled throughout the ensuing 12 months. In addition, the Company is entering into a joint venture arrangement for the production of housing of similar cost and quality in the Sarnia, Ontario area. Model homes for this programme are currently under construction.

The following schedule shows the growth in gross income, excluding inter-company income:

	Sale of land and houses	Other income (incl. income from revenue prod. prop.)
1961	\$1,235,073	\$ 7,369
1962	2,773,702	11,631
1963	3,269,255	22,757
1964	7,416,626	115,154
1965	7,476,058	281,505

BRAMALEA SHOPPING CENTRES LIMITED

(Wholly Owned Subsidiary)

Two Shopping Centres known as Applewood Village Shopping Centre and Bramalea Shopping Centre are owned by this Company.

Both of these Centres have shown increased revenue and the volume of sales continues to increase at both locations. A Bowling Alley was built and leased at each location and has enhanced both the value and productivity of each Centre. The following schedule summarizes the gross income growth of this Company, exclusive of inter-company income, since the date of incorporation:

	1963	1964	1965
Total income	\$91,442	\$327,203	\$376,650

BRAMALEA HOTELS LIMITED

(Wholly Owned Subsidiary)

This Company was incorporated on July 30, 1965 to acquire and hold any financial interests in motels, hotels, etc. in which Bramalea Consolidated Developments Limited may be interested.

As of November 30, 1965, the only asset

acquired by this Company was an investment in shares of Renforth Developments Limited, which company owns the Constellation Hotel. No income has been received by this Company for the current fiscal year.

BRAMALEA FARMS LIMITED

(Wholly Owned Subsidiary)

This operation is being carried on to ensure that land not needed for immediate development is put to the best possible use. This Company is at the present time engaged in a farming operation using approximately 2,000 acres of your Company's rural acreage which will increase to approximately 4,500 acres as tenancies are terminated.

In the current year under review the income derived from this operation was only from the sale of crops. A substantial cattle operation is envisaged for 1966 and onwards.

BRAEMAR APARTMENTS (ST. CATHARINES) LIMITED

(50% owned by Bramalea Consolidated Developments Limited)

This Company is in the process of building a 122 suite, 12 storey apartment building in St. Catharines, Ontario, adjacent to the Pen Centre. This building will be open in the Spring of 1966—leasing of the apartments which has already begun is progressing favourably.



APPLEWOOD VILLAGE SHOPPING CENTRE

BRAEMAR APARTMENTS



BRAMALEA SHOPPING CENTRE



Bramalea Diversification of Investment

The fiscal year 1965 saw further diversification by your Company and acquisition of new properties. Bramalea Consolidated Developments Limited has an interest in the following properties beyond the confines of Bramalea itself:

PEN CENTRE— ST. CATHARINES, ONTARIO

This Centre is owned by Bramalea Consolidated Developments Limited. It includes 46 retail stores and 8 offices occupying 208,300 square feet of space on some 60 acres of land. Pen Centre is destined to become the major regional shopping centre for the entire Niagara Peninsula, serving a population in excess of 350,000 people.

Now under construction is a 172,000 square foot-plus Simpson-Sears Limited department store, restaurant and automotive centre, all leased for 30 years. Besides this, another 140,000 square feet of retail space is being developed in the Centre, 90% of which has already been leased. This addition, including the Simpsons-Sears store, will be opened in the Spring of 1966.

Tenants in the new space will include Famous Players Canadian Corporation Limited and such highly regarded firms as Henry Birks & Sons, Tip Top Tailors and Plaza Drugs, and other well-known national chains.

The Centre is well served by Highway #406 which connects it with the heavily populated areas of the Niagara Peninsula, as well as by a network of local streets providing easy access to the Centre from the surrounding areas. The immediate St. Catharines area itself is experiencing a major housing and population growth.

APPLEWOOD VILLAGE SHOPPING CENTRE

This Centre is located on 15 acres of land on the north side of the Queen Elizabeth Way, one of Canada's major highways, at the western end of Metropolitan Toronto. Applewood is owned by Bramalea Shopping Centres Limited, a wholly owned subsidiary of Bramalea Consolidated Developments Limited. It includes 39 retail stores and 13 offices in 168,000 square feet of space and is located in the midst of a densely populated area.

ETOBICOKE MAISONETTES

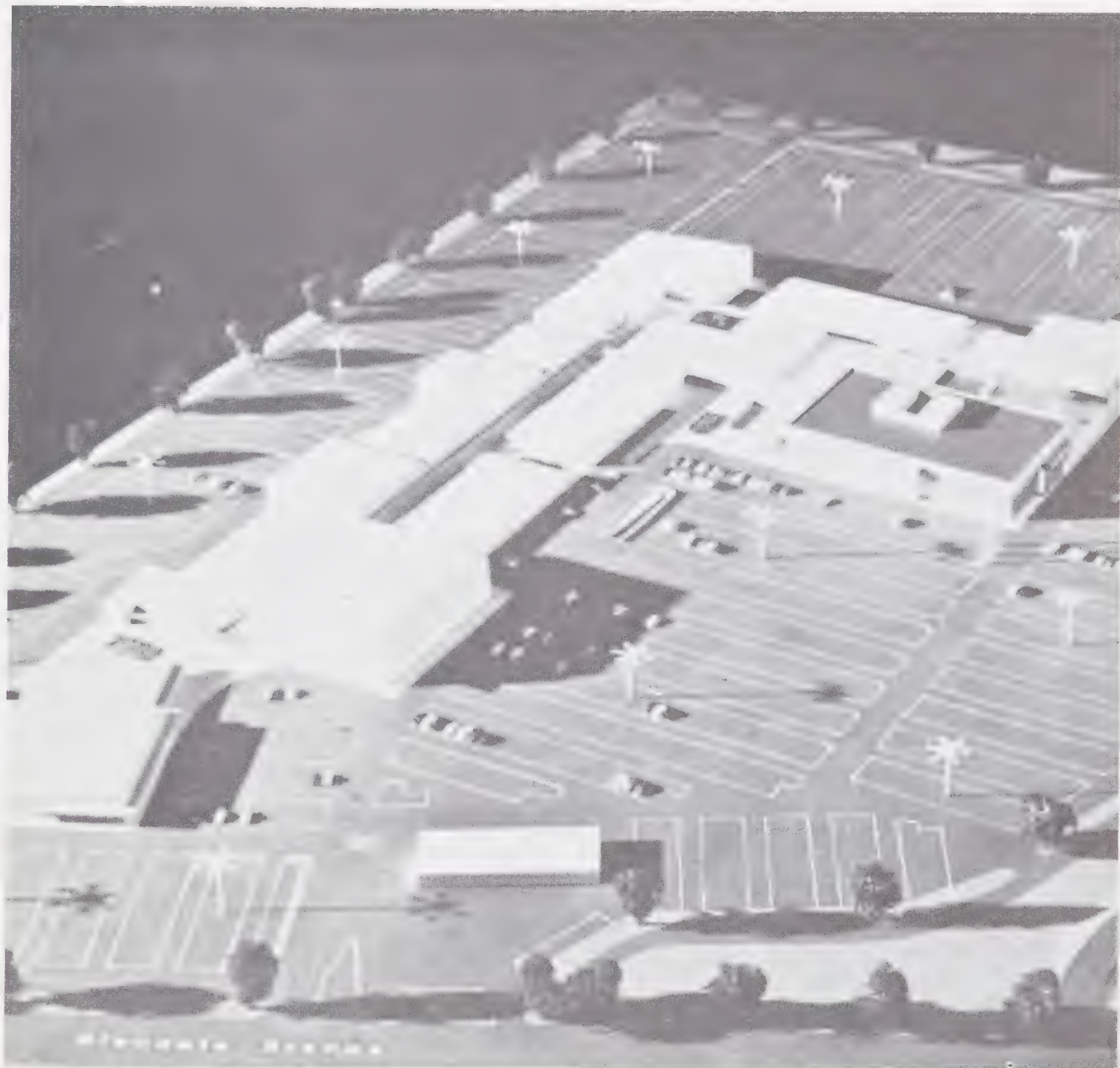
These maisonettes are owned by Bramalea Construction (Peel) Limited, a wholly owned subsidiary of Bramalea Consolidated Developments Limited. Your Company acquired this maisonette complex of 99 housing units in Etobicoke Township, a Municipality in Metropolitan Toronto, in early 1965 and subsequently leased the project to a management company for a 25-year term.

FINCH WILMINGTON APARTMENTS

This building is also owned by Bramalea Construction (Peel) Limited. Your Company acquired this 150-suite apartment in North York in early 1965 and subsequently leased the entire building to a management company for 25 years.

SWANSEA URBAN RENEWAL PROJECT

Pursuing its policy of further diversification, your Company in early 1965 agreed to participate in an Urban Renewal Development plan on 15 acres



PEN CENTRE



ETOBICOKE TOWN HOUSES



FINCH WILMINGTON APARTMENTS

of land in the Village of Swansea, Metropolitan Toronto. In June the Company provided funds for the acquisition of certain lands in the village and also took over options on 36 residential properties in the same area. The Company has acquired a 70% interest in the development.

As of November 30, 1965, the lands were rezoned to permit construction of a 32,000 square foot Shopping Centre and 920 apartment suites. As of that date, an offer to purchase had been received for the Shopping Centre lands, and for the land for 510 of the apartment suites, and a sale was in the negotiation stage for the lands available for the balance of the apartment suites.

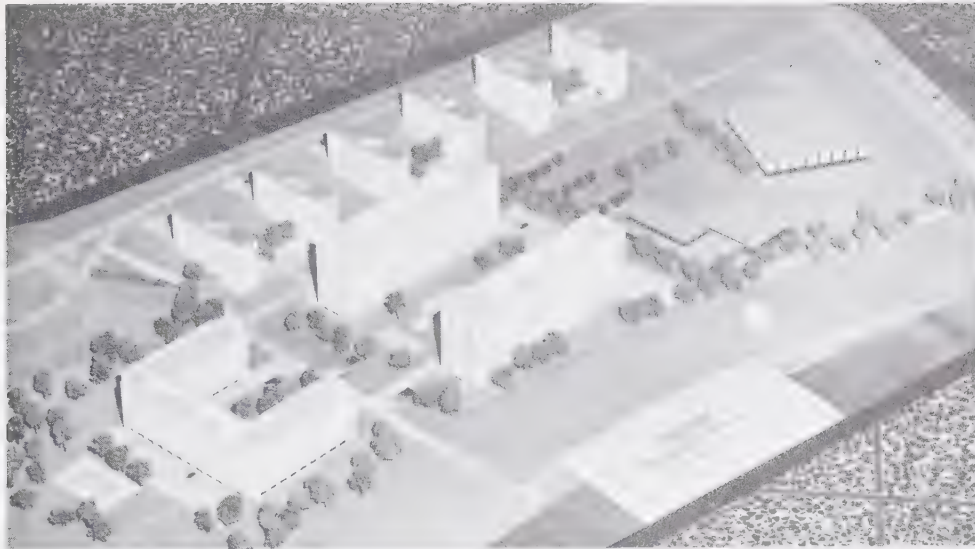
No profit has been shown in the operating statement for this project for the fiscal year ended November 30, 1965.

VICTORIA MILLS REDEVELOPMENT

Late in the fiscal year 1965, your Company made arrangements with some 36 property owners in the Victoria Mills area of North York Township, Metropolitan Toronto, regarding possible redevelopment of 72 acres of land for apartments, maisonettes and town houses.

VICTORIA PROPERTY & INVESTMENT COMPANY (CANADA) LIMITED

Your Company has a 40% interest in this company which was formed in 1963. Another 50% is held by Victoria Property & Investment Company Limited, London, England, the remainder by others.



SWANSEA URBAN RENEWAL
PROJECT



CONSTELLATION HOTEL

Victoria (Canada) owns two apartment blocks totalling 368 suites, in Metropolitan Toronto, acquired for a total price of \$2,942,267.

Under a management agreement with Victoria, your Company is managing all of Victoria's Canadian properties for a five-year period from November 29, 1963, at a fee of 3½% of gross annual income.

BRAEMAR APARTMENTS (ST. CATHARINES) LIMITED

Incorporated in 1964, this Company is 50% owned by Bramalea Consolidated Developments Limited.

Braemar acquired 8.4 acres in St. Catharines, Ontario, on which it is building 122 apartment suites for an estimated cost in excess of \$1,000,000. Opening is scheduled for Spring, 1966.

THE CONSTELLATION HOTEL

This is a hotel of 150 rooms located opposite Toronto International Airport. Expansion now underway includes 150 additional rooms in a 16-storey tower, as well as increased dining and banquet facilities. Your Company acquired a minority interest in this hotel in the past year.

DeCEW FALLS, ST. CATHARINES

As a long term land development investment, your Company acquired control of 500 acres of land in the DeCew Falls area, south of Pen Centre and adjacent to the new Brock University. The land is held under a long term option and its value is not included as an asset of the Company.

Bramalea Industrial Parks

Your Company's plans for development of Planning Areas Nos. 1 and 2 include industrial areas comprising approximately 1,920 acres. Long range planning visualizes the addition of more acreage as demand develops.

At present your Company has plans approved and registered for development of 930 acres zoned for industrial use.

In the early stages, your Company's policy called for sale of industrial land at nominal prices to industrial concerns so as to attract other industries, to increase sales of land for residential housing for their employees and to establish a sound industrial/residential realty tax relationship. Three such sales were made in 1960 and 1961.

Since those original transactions however, all sales of land to industrial buyers have been made at prevailing market prices. A number of well known Canadian firms acquired land in 1965.

The Glidden Company Limited acquired 31.2 acres on which it plans to erect a 160,000 square foot plant in 1966. Hudson Bay Diecastings acquired 14.5 acres on which a 56,000 sq. ft. building is nearing completion, and Bucyrus Blades of Canada a 2.3 acre site for an 11,000 sq. ft. building which was occupied in December, 1965.

Higgin Homeshield Limited, occupied a 40,000 square foot building constructed by a private investor on a 3.7 acre site purchased in 1965.

In November, Holophane Co. Ltd. purchased 12 acres on which a 60,000 square foot building will be erected in 1966. In addition two existing industries have increased their land holdings from 3 to 6 acres, and from 8 to 11 acres.

Northern Electric Co. Limited have announced plans for an extension of their existing plant by 150,000 square feet.

Prospects for sales of industrial land in 1966 include several large acreages in the 20 to 50 acre region, and in addition another industry is considering purchase of more land for plant expansion which would accommodate one of its divisions not now located in Bramalea.

Purchase of 2.5 acre, 2.7 acre and 1.9 acre sites by three Toronto companies have already been approved, with closings scheduled to take place in early 1966.





INDUSTRIES IN BRAMALEA

<i>Name</i>	<i>Acreage</i>	<i>Size of Building (sq. ft.)</i>
Northern Electric Co.	101	500,000
Bucyrus Blades of Canada Ltd.	2.3	11,000
Carrier Air Conditioning (Canada) Limited	33	160,000
Thos. J. Lipton Limited	15.5	140,000
Tung-Sol of Canada Limited	10	44,000
Kitchens of Sara Lee (Canada) Limited	6	50,000
Besser Canada Ltd.	5	13,000
Somerville Plastics Ltd.	8	60,000
Bundy Tubing Co. of Canada Ltd.	5	40,000

<i>Name</i>	<i>Acreage</i>	<i>Size of Building (sq. ft.)</i>
Ford Motor Co. of Canada Ltd.	60	615,000
Peel Terminal Warehouses	5	30,000
Simmons Limited	21	186,000
Oakite Products of Canada	5	36,000
Hudson Bay Diecastings Ltd.	14.5	56,000 under const.
Huntington Laboratories Ltd.	1	12,000
Wayne Sweeper Mfg. Canada Ltd.	7.5	25,000
National Grocers Company Ltd.	14.5	130,000
Carter Carburetor Canada Ltd.	11	67,000
Canadian Velcro Limited	6	12,000
Fyr-Fyter Co. of Canada Ltd.	1.5	14,000
G. D. Searle & Co. Canada Ltd.	5	17,000 under const.
Root Wire Limited	2	20,000
Higgin Homeshield Limited	4	40,000

LEASED INDUSTRIAL SPACE

A 20,000 square foot plant built by the Company was leased in March, 1963, to Root Wire Limited for a 10 year term, with a 10 year renewal option.

A Medical/Dental building comprising 2,100 square feet was built by your Company and entirely leased to three tenants for terms averaging 38 months from May 1, 1965.

Your Company has also leased an industrial plant comprising 68,500 square feet in Bramalea which is sublet until June 30, 1966, with an option for renewal.

Bramalea Residential Developments

The Company's registered subdivision plans for residential neighbourhoods 1, 2 and 3 and Bramalea Woods provide for erection of 2,139 single and semi detached houses, 150 town house units and approximately 1,200 apartment suites.

As of November 30, 1965, 2,000 single and semi detached houses were completed in these areas and approximately 1,950 had been occupied.

The price range for single dwelling units ranged from \$17,500 to \$21,500 and from \$15,300 to \$18,500 for each unit of a two-family residence.

Houses in Bramalea-on-the-Park, a separate area of Residential Neighbourhood #3, with 162 lots, are priced from \$20,000 to \$28,000. This section has complete underground services including electricity, telephone and television cables.

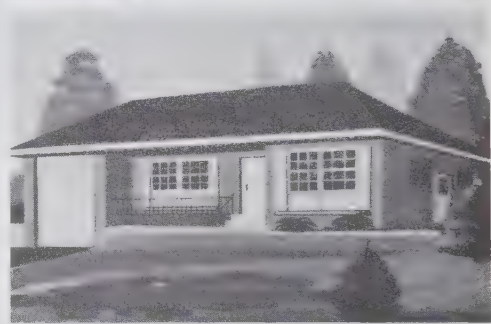
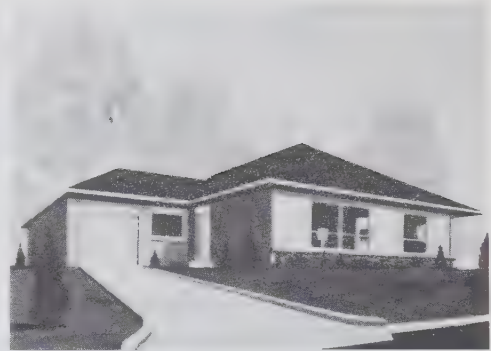
Of the lots in Bramalea-on-the-Park, 150 have been sold to a builder who has built and sold 100 homes.

Bramalea Woods, which also has underground services, comprises 110 lots which are under option to a custom builder who has agreed to build homes selling for from \$27,000 to \$45,000. So far, 24 homes have been sold.

In addition, 74 town house units, located in Bramalea, owned by your Company, are fully leased.

In Residential Neighbourhoods #2, #3 and #4, Bramalea Construction (Peel) Ltd. has built, or is building all the houses, except those in Bramalea-on-the-Park and Bramalea Woods.

Phase IV of residential development is now under construction comprising more than 2,000 housing units.





WESTGATE

Bramalea
On the Park

**BRAMALEA
WOODS**



**SOUTHGATE
VILLAGE**



Bramalea Community Services

SCHOOLS

Within Bramalea there are now three public schools and one separate school and a further public school under construction, to accommodate a total elementary school population of approximately 2,500. There is also one High School to accommodate approximately 1,200 students.

CHURCHES

Two churches have been built in Bramalea and three other church sites have been purchased by various denominations.



RECREATIONAL AREAS

In accordance with its agreement with the Township, your Company has dedicated 85 acres for greenbelt and general recreational areas. The Township has developed and maintained these lands for parks and recreational purposes, including hockey rinks, lacrosse boxes, a covered arena (under construction) and an Olympic-size swimming pool.

PUBLIC WORKS AND UTILITIES

Your Company has now completed construction of a waterworks, trunk lines





and related facilities capable of serving a community of approximately 20,000 people.

At present your Company has an available water supply of 3,000,000 gallons per day to handle normal daily demand and, during peak periods, a capacity of 4,000,000 gallons per day. A 750,000 gallon overhead reservoir is in operation and plans are underway for an underground reservoir.

A water exploration programme has been carried out and sufficient water sources have been located to support a population of 30,000.

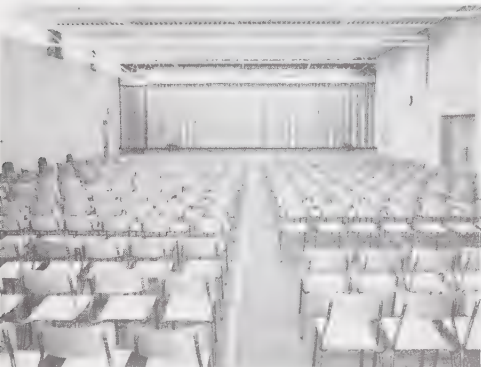
The sewage treatment plant serving Bramalea is currently being expanded to provide capacity for a population of 20,000 people.

ROADS

Subdivision agreements with the Township require your Company to construct certain roadways within the areas presently being developed and this is being done. As of Nov. 30, 1965, your Company had constructed approximately 20 miles of paved roads. Electricity, telephone service and natural gas for the neighbourhood now being developed are being supplied by various public utility companies or commissions.

MISCELLANEOUS:

For the past two years, your Company has been publishing and subsidizing a local newspaper, "The Bramalea Guardian," in the community interest. Effective February 1, 1966, this newspaper was sold to a Company which is 75% owned by the Toronto Telegram and 25% by your Company.



Auditors' Report

DELOITTE, PLENDER, HASKINS & SELLS CHARTERED ACCOUNTANTS

MONTREAL OSHAWA TORONTO HAMILTON
WINDSOR WINNIPEG REGINA CALGARY
EDMONTON PRINCE GEORGE VANCOUVER

55 YONGE STREET
TORONTO 1, CANADA

ASSOCIATED FIRMS IN UNITED STATES OF AMERICA, GREAT
BRITAIN AND OTHER COUNTRIES THROUGHOUT THE WORLD

To the Shareholders of
BRAMALEA CONSOLIDATED DEVELOPMENTS LIMITED:

We have examined the consolidated balance sheet of Bramalea Consolidated Developments Limited and subsidiaries as of November 30, 1965 and the consolidated statement of income and deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and deficit present fairly the financial position of the companies at November 30, 1965 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Plender, Haskins & Sells

February 4, 1966.

Auditors.

Consolidated Balance Sheet

as of November 30, 1965

ASSETS

	1965	1964
Cash.....	\$ 64,744	\$ 93,409
Accounts receivable (Note 2).....	874,927	922,180
Houses completed and under construction (including land)—at cost (Note 3).....	1,205,520	2,565,282
Advances to joint venture (Note 4).....	642,089	—
Land and improvements—held for sale (Note 5):		
Under development:		
Land (including carrying charges, 1965—\$599,337; 1964—\$432,963).....	2,126,670	1,585,243
Development expenses.....	1,879,252	1,938,205
Undeveloped land (including carrying charges, 1965—\$2,072,544; 1964—\$1,955,665).....	8,854,820	8,687,653
Revenue-producing properties—at cost less accumulated depreciation and amortization, 1965—\$803,450; 1964—\$428,787.....	16,871,170	8,848,523
Mortgages receivable less allowance for possible losses, 1965—\$85,000; 1964—Nil (Note 6).....	1,493,091	1,833,916
Investments—shares at cost and advances:		
Affiliated company.....	80,000	80,000
Other.....	107,620	120
Property and equipment—at cost less accumulated depreciation and amortization; 1965—\$173,978; 1964—\$141,228.....	281,505	296,129
Deferred financing costs (Note 7).....	297,261	336,460
Prepayments and deferred charges.....	535,775	495,276
 TOTAL ASSETS.....	 \$35,314,444	 \$27,682,396

LIABILITIES


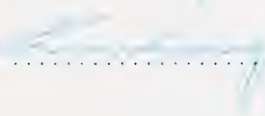
	1965	1964
Bank indebtedness (Note 8).....	\$ 5,479,500	\$ 1,391,824
Accounts payable and accrued liabilities (Note 8).....	2,838,713	2,899,515
Mortgages on properties held for sale (Note 3).....	331,141	1,047,369
Joint venture liabilities (Note 4).....	533,812	—
Long-term debt on revenue-producing properties (Note 9).....	9,602,701	6,739,542
Mortgages on land (Note 10).....	2,192,056	1,539,120
6½% Sinking Fund Debentures, due July 1, 1973 (U.S. dollars, 1965—\$4,708,050; 1964—\$5,037,300) (Note 11).....	<u>4,855,131</u>	<u>5,194,654</u>
TOTAL LIABILITIES.....	<u>25,833,054</u>	<u>18,812,024</u>

CAPITAL STOCK AND DEFICIT**Capital stock (Note 12):**

Authorized—1,500,000 common shares, without par value		
Issued and fully paid—894,538 common shares.....	11,309,849	11,309,849
Common share purchase warrants.....	5,156	5,156
Deficit.....	<u>(1,833,615)</u>	<u>(2,444,633)</u>
	<u>9,481,390</u>	<u>8,870,372</u>

Commitments and contingent liabilities (Note 16)

Approved by the Board:


..... Director
..... Director

The Accompanying Notes to Consolidated Financial Statements are an integral part
of this statement.

\$35,314,444\$27,682,396

Consolidated Statement of Income and Deficit

for the year ended November 30, 1965

INCOME

	1965	1964
Sales of land and houses.....	\$ 8,448,030	\$ 8,200,471
Income from revenue-producing properties.....	1,315,901	1,015,413
Interest.....	74,597	75,401
Gain on purchase of 6½% Sinking Fund Debentures.....	20,343	29,425
Miscellaneous.....	215,479	79,003
TOTAL INCOME.....	<u>10,074,350</u>	<u>9,399,713</u>

COSTS AND EXPENSES

Cost of land and houses sold (Note 5).....	6,668,027	6,692,097
Operating costs and expenses of revenue-producing properties:		
Interest on long-term debt.....	215,644	158,022
Depreciation (Note 14).....	374,858	246,480
Other.....	739,410	585,570
Selling and administrative expenses (Note 14).....	1,022,157	1,081,857
Provision for possible losses on mortgages receivable.....	85,000	—
Interest and other charges:		
Interest—long-term debt.....	91,325	41,945
—other debt.....	155,206	93,629
Amortization of deferred financing costs (Note 7).....	39,199	39,199
Miscellaneous charges.....	72,506	26,815
TOTAL COSTS AND EXPENSES.....	<u>9,463,332</u>	<u>8,965,614</u>
NET INCOME (Note 15).....	611,018	434,099
DEFICIT, BEGINNING OF YEAR.....	<u>2,444,633</u>	<u>2,878,732</u>
DEFICIT, END OF YEAR.....	<u>\$ 1,833,615</u>	<u>\$ 2,444,633</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

Notes to Consolidated Financial Statements

November 30, 1965

1. Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which the parent company holds an interest of 50% or more as follows:

Wholly-owned subsidiaries:

Bramalea Construction (Peel) Limited

Bramalea Shopping Centres Limited

Bramalea Farms Limited—commenced operating in 1965

Bramalea Hotels Limited—incorporated in 1965

50%-owned subsidiary:

Braemar Apartments (St. Catharines) Limited—50% interest acquired in 1965 (the minority interest is not significant at November 30 1965)

All material inter-company balances have been eliminated in consolidation.

Other investments of the company in which a 50% interest is not owned and which are therefore not consolidated are:

Victoria Property and Investment Company (Canada) Limited

Camp Muskoka Lodge Limited

Chingo Investments Limited

Renforth Developments Limited—interest acquired in 1965

2. Accounts Receivable

At November, 1965, accounts receivable included \$375,725 receivable from sales of houses. Generally, this amount represents remaining balances on sales of houses and is receivable from mortgagees of the houses. Profit or loss on the sale of a house is recorded at the time of acceptance of the completed house by the purchaser.

3. Houses Completed and Under Construction

Houses completed and under construction at November 30, 1965 comprised the following:

	<u>Construction Costs</u>	<u>Lots (at cost)</u>	<u>Total</u>
Houses completed and under construction—under contract of sale..	\$100,429	\$ 68,176	\$ 168,605
Houses completed and under construction—not under contract of sale.....	437,463	599,452	1,036,915
TOTAL.....	\$537,892	\$667,628	\$1,205,520

At November 30, 1965, mortgages of \$331,141 were outstanding on houses completed and under construction. As sales of houses are made, the company's mortgage obligations will be liquidated.

4. Joint Venture

The company has a 70% interest in a joint venture formed to redevelop a portion of the Village of Swansea. Under the terms of the joint venture agreement, the company is to advance all funds required by the joint venture and assume, at its inception, certain joint venture liabilities at 6% interest and is to be repaid all advances before the net assets of the joint venture are proportionately distributed to the parties thereto.

To November 30, 1965, the company had made cash advances of \$108,277 and had assumed liabilities of \$533,812.

5. Land and Improvements—Held for Sale

Prior to 1961 the company sold industrial land at a loss of \$310,546 as an inducement for industries to locate in Bramalea. In addition, the development costs pertaining to this land were estimated at \$229,410. The total loss on sales and the related estimated development costs (\$539,956) were included in development expenses, and are being amortized over sales of industrial land on an acreage basis. At November 30, 1965 the unamortized balance was \$416,166.

Notes to Financial Statements (Continued)

Except for the item explained above, "Land and Improvements—Held for Sale" is stated at cost in the accompanying consolidated balance sheet.

It is the company's policy to include as part of the cost of land, carrying charges, such as real estate taxes and interest, which pertain to that land. Carrying charges included as part of the cost of land amounted to \$2,671,881 at November 30, 1965 and will be amortized over sales of both industrial and residential land on an acreage basis.

Development expenses include costs incurred to date for water and sewage systems, public school, recreational facilities, roads and sidewalks and street lighting systems. Development expenses are allocated to the industrial and/or residential areas which benefit from the expenditure and are being amortized over sales of such land.

6. Mortgages Receivable

Mortgages receivable include a non-interest-bearing mortgage in the amount of \$427,500 repayable at \$13,000 per annum to August 1, 1982 with the balance on May 1, 1983. First mortgages on land, in the amount of \$852,959, bear interest at $4\frac{1}{2}\%$ to 7% and are repayable to 1976. Other mortgages are repayable annually from 1966 to 1990, with interest at 6% to 10%.

7. Deferred Financing Costs

Deferred financing costs represents the unamortized balance of the financing costs relative to the issuance of the $6\frac{1}{2}\%$ Sinking Fund Debentures and is being amortized over the life of the Debentures.

8. Secured Liabilities

Certain liabilities are secured as follows:

- (a) An assignment of payments receivable under a long-term lease agreement has been made to secure a portion (\$3,079,500) of the bank indebtedness.
- (b) A collateral mortgage on a shopping centre has been given as security for a debt of approxi-

mately \$375,000 included in accounts payable and accrued liabilities.

9. Long-term Debt on Revenue-producing Properties

This amount comprises the following:

Deferred payable on a shopping centre.	\$2,914,337
Mortgages payable.....	6,488,364
Notes payable (due 1972—\$175,000; 1975—\$25,000)	200,000
	<u>\$9,602,701</u>

Deferred payable on a shopping centre:

Under the terms of the purchase agreement, the company did not assume the mortgages on a shopping centre at the time of purchase. Instead, the company agreed to make the following payments to the vendor, such payments to equal the principal and interest due under the mortgage obligations of the vendor:

- (a) \$150,000 on the 2nd day of January, 1971 and \$100,000 on the 2nd day of January, 1972;
- (b) \$368,844 on the 31st day of October in each year to 1968;
\$400,844 on the 31st day of October, 1969;
\$304,474 on the 31st day of October, 1970;
\$966,557 on the 31st day of October, 1971.

The company received a direction from the vendor to make the actual payments due under the mortgage obligations direct to the mortgagor, such payments being credits against the payments outlined above. As a result, the company has paid \$114,070 of the payment due on October 31, 1966.

Mortgages payable:

These mortgages bear interest at an average rate of 7%. Principal payments due in the succeeding five fiscal years are as follows:

1966.....	\$223,181
1967.....	243,045
1968.....	254,273
1969.....	267,185
1970.....	265,705

10. Mortgages on Land

These mortgages bear interest at an average rate of 6%. Principal payments due in the succeeding five fiscal years are as follows:

1966.....	\$112,502
1967.....	232,049
1968.....	106,599
1969.....	157,861
1970.....	141,691

11. 6½% Sinking Fund Debentures

The Debentures are subject to redemption, at the principal amount thereof plus accrued interest, (a) through the operation of the Mandatory Sinking Fund on July 1 each year to 1973 and (b) through the operation of the Contingent Sinking Fund on July 1 each year to 1972. The Mandatory Sinking Fund requires that the company pay to the American Trustee on or before June 25 in each year to 1973, the sum of \$600,000 (U.S. funds). The Contingent Sinking Fund requires that the company pay to the American Trustee on or before June 25 in each year to 1972, an amount equal to 50% of the Consolidated Net Income (as defined in the Indenture) in excess of \$1,200,000 (Canadian funds) for the fiscal year immediately preceding such June 25. The company may credit against any Sinking Fund payment, Debentures purchased for cancellation or optionally redeemed by it. Moneys paid into the Sinking Fund are required to be applied to the redemption of Debentures on the ensuing July 1.

At November 30, 1965, the company held \$94,819 (U.S. \$91,950) principal amount of its Debentures which has been reflected on the consolidated balance sheet as a reduction of the Debenture liability.

12. Capital Stock

STOCK OPTIONS:

Options have been granted to certain officers of the company to purchase an aggregate of 52,000 shares

of the capital stock of the company at \$5 per share. An aggregate of 7,500 optioned shares may be purchased during any year plus any allowable shares not purchased in prior years. These options expire December 31, 1974. None of these options had been exercised to November 30, 1965.

WARRANTS:

There are 240,000 regular warrants outstanding entitling the bearer to purchase at any time to July 1, 1973 Common Shares of the company at \$10 (U.S. funds) each.

In addition to the regular warrants, in 1961 the company sold to Shields & Company Common Share Purchase Warrants, expiring July 1, 1966, which carry the right to purchase an aggregate of 50,000 Common Shares at \$12.80 (U.S. funds) per share. The proceeds of this sale after allowing for exchange were \$5,156.

COMMON SHARES RESERVED:

At November 30, 1965, shares of common stock of the company were reserved as follows—290,000 shares for purchase warrants and 52,000 shares for stock options.

13. Dividend Restrictions

The Indenture under which the Debentures were issued provides that, so long as any Debentures are outstanding, neither the company nor any subsidiary will make any distribution (defined to include dividends, purchases, redemptions and reductions in respect of stock of the company and payments of tax on undistributed income under the Income Tax Act (Canada)) unless after giving effect thereto, 50% of Consolidated Net Income (as defined) for the fiscal year immediately preceding the making of such distribution in excess of \$1,200,000 is greater than the aggregate amount of distributions made during the fiscal year in which such distribution is made.

14. Depreciation and Amortization

It is the policy of the company to provide for depreciation of depreciable property on the straight-

